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T H E B E E F C A T T L E S I T U A T I O N

Summary

Little change has occurred in the beef cattle outlook during the past month, the Bureau of Agricultural Economics reports. Prices of grain-fed cattle ordinarily decline seasonally during the late fall and early winter. Marketings of such cattle probably will continue much larger than a year earlier, and a fairly large seasonal increase in hog marketings is expected during the next few months. But marketings of cows and heifers this fall are likely to be considerably smaller than a year earlier, and probably will decrease seasonally by early winter. Consumer demand for meats is expected to improve somewhat during the fall and winter months.

Slaughter supplies of cattle in 1939 may total less than in 1938, with increased marketings of grain-fed cattle being more than offset by reduced marketings of cows and heifers. The tendency to rebuild cattle herds may become more pronounced next year, because of the marked improvement in feed and range conditions since 1936. If the present recovery in business activity continues, consumer income and the demand for meats in 1939 probably will be somewhat greater than in 1938.

Prices of the better grades of slaughter cattle reached new highs for the year in early September, but were still much lower than those of a year earlier. On the other hand, prices of the lower grades of cattle declined seasonally, after mid-July, although being maintained at levels only moderately lower than those of a year earlier. The demand for stocker and feeder cattle continues strong. Despite seasonally larger supplies, prices of such cattle weakened only slightly in August and early September.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- With marked weakness in consumer demand for meats, reduced hide prices, and some increase in marketings of grain-fed cattle, prices of the better grades of slaughter steers and heifers declined sharply in late 1937 and early 1938. But prices of such cattle tended to strengthen after February, and, although remaining much below those of a year earlier, advanced fairly sharply in July. Prices of the lower grades of slaughter cattle, and of stockers and feeders, declined moderately in late 1937, but advanced seasonally during the spring of 1938. This gain was well maintained until mid-July, with prices of the lower grades of cattle averaging only moderately lower than those of a year earlier.

The dressed weight of beef and veal produced under Federal inspection from January through July was about the same as in the first 7 months of 1937. Although the number of cattle slaughtered was about 2 percent smaller, and calf slaughter was 14 percent smaller, average weights of cattle marketed were considerably heavier than those of a year earlier.

Prices of grain-fed cattle advance to new highs

Prices of well-finished, grain-fed steers and heifers declined somewhat in early August, but recovered the lost ground in late August. In early September, prices of such cattle advanced further to reach new highs for the year. The advance from late June to early September amounted to nearly \$2. This advance was partly seasonal, but apparently was due in part also to some improvement in consumer income and demand for meats.

For the week ended September 10, prices of choice and prime grade slaughter steers at Chicago averaged about \$11.70 per 100 pounds, compared with an average price of about \$10 in late June. Prices of such cattle a year earlier, however, averaged nearly \$17. Marketings of well-finished, grain-fed cattle during August were somewhat larger than those of a month earlier, and much larger than a year earlier when supplies of such cattle were scarce.

Prices of the lower grades of slaughter steers and of cows declined seasonally from mid-July through early September, with increased slaughter supplies of cows and heifers. In early September, prices of good grade slaughter cows at Chicago, averaging about \$6.70, were approximately 80 cents lower than at the peak of the spring and early summer advance in mid-July, and were about \$1 lower than a year earlier.

Slaughter supplies increase seasonally

Slaughter supplies of both cattle and calves increased seasonally in August. The number of cattle slaughtered under Federal inspection totaled 848,000 head, 3 percent more than in July, but 4 percent less than in August 1937. Inspected slaughter of calves in August, totaling 457,000 head, was 5 percent larger than in July, but was 15 percent smaller than the large August slaughter last year.

Demand for replacement and feeder cattle continues strong

Shipments of stocker and feeder cattle and calves from public stockyards to the country increased seasonally during July and August. Although such shipments in August were somewhat smaller than a year earlier, they totaled slightly larger for the first 8 months of the year than in the corresponding period of 1937.

Despite the marked seasonal increase in supplies, prices of stocker and feeder cattle in August and early September declined only slightly from the level that had been maintained since March, and averaged only moderately lower than a year earlier, when prices of such cattle were the highest for the period since 1929. For the week ended September 10, prices of stocker and feeder steers, all weights, at Kansas City averaged about \$7.35 per 100 pounds, slightly lower than a month earlier, and about 65 cents lower than a year earlier.

The demand for both replacement and feeder cattle has been relatively strong thus far in 1938 largely because of generally good range and pasture conditions, abundant supplies of feed grains and hay in relation to the number of animals on farms, and relatively low prices of feed.

The condition of pastures declined sharply in some areas in August, but on September 1 the condition of both pastures and ranges was still generally above average. Dry weather, hot winds, and grasshopper infestation in August resulted in marked declines in prospects for the corn crop in South Dakota, Nebraska, and Kansas. Lack of moisture also caused a marked decline in Missouri. But for the country as a whole prospects are still favorable for a near-average corn crop. The hay crop this year was exceeded only by the record harvest of 1927.

The indicated total production of feed grains on September 1 was 94 million tons, about 4 million tons less than the indicated production on August 1. But with a large carry-over of old crop feed grains, prospective total supplies for the 1938-39 feeding season amounted to about 107 million tons, somewhat larger than a year earlier and about the same as the 1928-32 average. Despite marked increases in the number of hogs and poultry on farms during the past year, the indicated supply of feed grains per grain-consuming animal is only slightly smaller than the very large supply last year, and larger than in any other of the past 12 years.

Cattle imports smaller than in 1937

During the first 7 months of the year, imports of cattle from all countries totaled 266,000 head, 26 percent less than in the corresponding period of 1937. Although imports from Mexico, totaling 194,000 head, were 21 percent larger imports from Canada, totaling 71,000 head, were 64 percent smaller than a year earlier.

Most of the increase in imports from Mexico has been in light non-quota cattle weighing between 175 and 700 pounds, the duty for which is 2-1/2 cents per pound. Imports of heavy quota cattle from all countries, weighing 700 pounds and over, and excluding cattle imported for dairy purposes, have been sharply reduced this year, totaling only 54,000 head for the first 7 months compared with 133,000 head in the same period last year. The duty on such cattle is 2 cents a pound for an annual quota of 156,000 head imported from all countries, and 3 cents a pound for all such cattle imported in excess of the annual quota. In 1936 this quota was filled by October, and in 1937 by August. It is possible that the quota may not be filled this year.

Imports of canned beef during the first 7 months of 1938 totaled nearly 47 million pounds, about 12 percent less than a year earlier. Imports of fresh, pickled, and cured beef and veal also were considerably smaller than last year. Total imports of cattle and beef, on a dressed weight basis, were equivalent to about 5 percent of inspected slaughter of cattle and calves in this country.

Chiefly responsible for the reduction in imports have been the relative decreases in domestic cattle and beef prices compared with prices prevailing in Canada, and in some other countries. The increase in cattle imports from Mexico, on the other hand, apparently has been due largely to the strong demand for stocker cattle in this country, together with devaluation of the Mexican currency.

OUTLOOK

No material change has occurred in the outlook for cattle supplies and prices since the Summer Outlook report in August. In the August issue, the following indications with respect to supplies were given:

1. Marketings of grain-fed cattle during the remainder of 1938 probably will continue larger than a year earlier. On the other hand, marketings of cows, heifers, and grass steers are expected to be smaller than in the previous year. The number of cattle slaughtered in the second half of 1938 may not be greatly different from that in the corresponding period of 1937, but calf slaughter will be smaller.

2. With prospects favorable for another good corn crop this year, it is expected that there will be a further increase in cattle feeding in 1939. Marketings of grain-fed cattle next year, therefore, probably will be larger than in the present year. A reduction in marketings of cows and heifers, however, may more than offset the larger marketings of grain-fed cattle. Hence, total supplies of slaughter cattle in 1939 may be smaller than in 1938.

3. With favorable feed conditions, there has been a tendency in some areas to rebuild cattle herds. This tendency may become more pronounced next year, because of the improvement in feed and range conditions since 1936. On the basis of present indications, it is expected that cattle numbers at the beginning of 1939 will be about the same as, or slightly larger than, in early 1938. Barring the recurrence of severe drought, the trend in cattle numbers is likely to be upward during the next few years.

Improved consumer demand, larger livestock marketings expected

It now appears probable that the improvement in industrial activity which took place in July and August will continue through the fall at least. Consumer demand for meats, therefore, may improve somewhat during the next few months. If present indications are borne out it is likely, also, that consumer incomes and the demand for meats for 1939 as a whole will be greater than in 1938.

Ordinarily, prices of the better grades of slaughter cattle decline somewhat during the late fall and early winter months, with increased marketings of hogs and poultry. The seasonal increase in hog marketings will be fairly large this fall, and marketings of grain-fed cattle probably will continue much larger than a year earlier through the remainder of 1938.

For 1939, factors favoring higher cattle prices than in 1938 probably will be: (1) Smaller marketings of cows and heifers, and (2) a stronger demand for meats. On the other hand, factors likely to bring about lower prices or to limit any gain in cattle prices will be: (1) Increased marketings of grain-fed cattle, and (2) increased marketings of hogs.

Slaughter and market supplies of cattle and calves, specified periods

Item	Unit	Year		Month		
		Average:	1937	Aug.	July	Aug.
		:1924-33:	1937	: 1937	: 1938	: 1938
Slaughter under Federal inspection:						
Number slaughtered: <u>1/</u>	Thou-					
Cattle	sands	8,850	10,070	880	820	848
Calves	do.	4,819	6,281	538	436	457
Beef steers sold out of first hands						
at Chicago:						
Choice and Prime	do.	159	133	19	39	48
Good	do.	471	343	23	17	29
Medium	do.	416	190	8	7	11
Common	do.	105	61	4	2	3
All grades <u>2/</u>	do.	1,151	727	54	66	91
Receipts of cattle at seven						
markets <u>3/</u>	do.	4/8,044	7,691	838	570	716
		Year		Month		
		Average:	1937	July	June	July
		:1924-33:	1937	:1937	: 1938	: 1938
Slaughter under Federal inspection:						
Number slaughtered:	Thou-					
Cows and heifers	sands	4,181	5,626	445	379	404
Steers	do.	4,340	4,037	309	394	375
Average live weight:						
Cattle	Pound	953	899	894	915	912
Calves	do.	176	189	190	183	198
Average dressed weight:						
Cattle	do.	516	470	465	494	487
Calves	do.	101	108	108	103	109
Total dressed weight:						
Cattle	Mil.lb.	4,532	4,699	365	401	397
Calves	do.	487	675	56	49	47
Stocker and feeder shipments from :						
public stockyards: <u>5/</u>						
Cattle	sands	3,073	2,893	190	190	201
Calves	do.	365	578	33	25	41
Imports:						
Cattle <u>6/</u>	do.	253	507	45	18	18
Canned beef <u>7/</u>	Mil.lb.: <u>8/</u>	36	88	10	8	8

1/ Bureau of Animal Industry.2/ Totals of unrounded numbers.3/ Chicago, Kansas City, Omaha, East St.Louis, St.Joseph,Sioux City and St.Paul.4/ Average 1929-33.5/ Approximately 62 public stockyards prior to 1936,when the number was increased to 69.6/ United States Department of Commerce. General imports prior to 1934, beginning January 1, 1934, imports for consumption.7/ United States Department of Commerce. Imports for consumption.8/ Figures include "other canned meats", prior to 1929.

Price per 100 pounds of cattle and calves, August 1938 with comparisons

Item	: Aug. : average: : 1924-33:	: Aug. : 1936	: Aug. : 1937	: June : 1938	: July : 1938	: Aug. : 1938
	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars
Beef steers sold out of first hands at Chicago:						
Choice and Prime	11.75	9.11	16.38	10.06	11.39	11.20
Good	10.59	8.41	13.97	9.15	9.98	9.69
Medium	9.04	7.38	10.76	8.27	8.83	8.39
Common	7.20	6.08	8.23	7.18	7.29	6.98
All grades	10.32	8.46	14.13	9.50	10.71	10.31
Cows, Chicago:						
Good	<u>1/</u> 7.00	5.49	8.19	7.12	7.26	6.80
Low cutter and cutter	<u>2/</u> 3.89	3.62	4.74	4.79	4.78	4.54
Vealers, Chicago:						
Good and Choice	11.71	8.18	11.16	8.50	9.08	9.74
Stocker and feeder steers, Kansas City:						
500 - 800 pounds,						
Good and Choice	<u>3/</u>	6.02	8.68	8.04	8.11	7.91
300 - 1050 pounds,						
Good and Choice	<u>3/</u>	6.15	9.91	7.96	8.44	7.98
Average price paid by packers -						
Cattle	7.57	5.85	7.66	7.32	7.62	
Calves	8.86	6.11	8.11	7.58	7.71	
Average wholesale prices of packer hides, Chicago: <u>4/-</u>						
Heavy native steers	15.80	13.10	19.50	9.31	11.38	11.90
Light native cows	14.69	11.05	17.50	9.03	11.41	11.50

1/ Good and Choice, 1924-27.2/ Canner and Cutter, 1924 - June 1926.3/ Not available.4/ 1924-37 from annual reports of the Chicago Board of Trade;
1938 from the National Provisioner, simple average of weekly quotations.

